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# "UNSUNG" BUSINESS STRATEGY: EXPLORING CROWDSOURCING PRACTICES AMONG MALAYSIAN SMEs.

Mohd Fitri Mansor<sup>1</sup> Hasliza Abdul Halim<sup>2</sup> Noor Hazlina Ahmad<sup>3</sup> Noor Hidayah Abu<sup>4</sup>

1,2,3Universiti Sains Malaysia, School of Management, Universiti Sains Malaysia, 11800 Pulau Pinang Malaysia
 1 School of Business Innovation & Technopreneurship, Universiti Malaysia Perlis, 01000 Kangar Perlis Malaysia.
 4School of Technology Management & Logistics, Universiti Utara Malaysia, 06010 Sintok Kedah Malaysia.
 fitrimansor@unimap.edu.my, haslizahalim@usm.my, hazlina@usm.my, dayah@uum.edu.my

#### INTRODUCTION

The emerging of Internet of Things (IoTs) and changing global environment lead the demand for every organization to change and sustain their business. Due to this forces, the organization has no choice and forced to adapt with new Information and Communication Technology (ICT) or Technology Web 2.0 such as social media in order to strengthen their business strategy and for the business survival. Based on previous literature reviews, numerous strategies adopted by the organization as the mechanism to improve and sustain in their business performance. Amongst the business strategies are Lean Manufacturing (AlManei, Salonitis & Zu, 2017); Total Quality Management (TQM) (Sahoo & Yadav, 2018); Cloud Computing (Hassan, 2017); New Product Development (Abu, Mansor & Nasir, 2017); Human Capital (Muda & Che Abdul Rahman, 2016); Kaizen (Maarof & Mahmud, 2016) and many more. Nevertheless, the recent "unsung" business strategy or a new business strategy not being realize among the business owners is known as crowdsourcing practices.

The phenomenon of crowdsourcing describes a new form of outsourcing tasks or value creation activities and function by tapping from external parties such as an individual, group, freelancer or any undefined group of people or crowds that are possessed heterogeneous of backgrounds, skill and knowledge, intelligence ideas to perform the organization tasks (Durward & Blohm, 2017). Crowdsourcing practices was introduced by Jeff Howe (2006) in the Wired Magazine articles. It refers to new phenomenon and as open business model in order to obtain diverse web-based solution from unknown individual or group of people to earn money by completing the projects or tasks (Howe, 2006; Liu et al., 2016).

Apparently, the organizations could embark crowdsourcing practices in order to resolve their business problems, generate new ideas for innovation, complete tasks or projects and exploit collective wisdom in an effective and efficient cost manner (Lee, Chan, Ho, Choy & Ip, 2015). Those activities can be performed via Technology Web 2.0 i.e. social media such as Facebook, Twitter, Blog, Instagram, Whatapps, company website and etc. Due to the forces, it is necessary to explore the "unsung" business strategy not being realize by many business owners' i.e. to crowdsourcing practices particularly among Malaysian Small Medium Enterprises (SMEs). Furthermore, this study also explore the scenario of crowdsourcing practices in Malaysia and its benefits. Last but not least, the discussion and conclusion of the study will be adduced.

## LITERATURE REVIEWS

# Crowdsourcing

According to Jeff Howe (2008) defined crowdsourcing as the act of recruiting a large group of undefined individuals from the community i.e. solvers (crowdworkers) in order to complete organizational tasks via internet based platforms (Howe, 2008). It also can be referred to the act of organization or institution taking a function once performed by employees and outsourcing it to an undefined network of people in the form of an open call (Howe, 2006). This business strategy relatively new phenomenon appeared just years ago due to an advancement in the technological progress and Information and Communication Technology (ICT) (Xu, Suriano & Garcia, 2015). Crowdsourcing practices considered as an important business strategy and serve an opportunity to business by tapping an external expertise to reduce manpower cost (Kietzmann, 2017). Since an innovation and talent management become pertinent in strategic priorities among CEO (KPMG, 2016) the crowdsourcing practices enable serves the organization to be one of the business strategy to foster organizational innovation through tapping external expertise's knowledge and their creativity.

Although, crowdsourcing is a simple practice however it is a powerful concept whereby it's can be done virtually for everyone that has a potential to contribute valuable information to the organization (crowdsourcer) (Greengard, 2011). It is not surprise that crowdsourcing's popularity increased drastically concurrent with the development of internet technologies and Web 2.0 (Zhao & Zhu, 2014). Referring to the context of Malaysia scenario, it is among the eight individual markets in Asia utilizing the social media extensively, with Facebook as the top social media site (Edosomwan et al., 2011; Parveen, et al., 2016). Evidence from the statistic, it shows that about 52% of Malaysian organizations devote up to 20% of their marketing budget to business social networking activities (Al Mamum, 2017).

On top of that, the survey conducted by the SMEs Corp in first quarter 2017 reported that the utilization of ICT by the SMEs are expected to discernible increase in the future. It was found that, majority of SMEs are utilized the computers, smartphones and internet in their daily life in both of business

operation or even for personal use. The survey also indicates that at 7.4% of Malaysian SMEs mainly in services sector and the microenterprises utilized ecommerce marketplace indicated the higher utilization of e-commerce marketplace. It shows positive sign where the SMEs are more technology savvy and embraced the idea of digital economy to their business whereby at 85.4% of SMEs selling their products and services via online by utilizing the social media platforms such as Facebook and Instagram. Consequently, SMEs exploring the ICT having greater potential to increase an efficiency and productivity that enable them to elevate their business to the next level via crowdsourcing practices.

Nevertheless, the study on crowdsourcing is still need further attention and to be explored properly specifically in the context of SMEs. Mokter Hossain (2015) stated that many advantages can be obtained via crowdsourcing but yet to be explored and reviews of this studies. This study is crucial to gain comprehensive knowledge on it. Again, the study on this matter is still in nascent stage and requires many scholars to engage actively in order to enrich this field. Even though, several researches on crowdsourcing are already accomplished but the optimum mechanisms of various types of crowdsourcing are still limitedly known. The crowdsourcing is still an amorphous activity that is not well understood by most businesses but has proven to help some businesses (Warner, 2011). Last but not least, the structure of the crowdsourcing business process in Malaysia still infancy stage and still not been studied constructively (Salleh et al., 2013). Hence, it is very pertinent to explore the study on crowdsourcing practices in the context of Malaysian SMEs.

# Crowdsourcing practice in Malaysia.

In Malaysia, the crowdsourcing concept has been seriously given attention in the year 2016 by our Ex-Prime Minister Datuk Sri Najib Tun Abdul Razak. He announced the budget provision for 2016 was RM100 Million in order to materialize the crowdsourcing projects. This project is monitored and coordinated by Malaysia Digital Economy Corporation (MDEC) to ensure crowdsourcing practices are successfully introduce and implement. Numerous crowdsourcing platforms have been initiated by the government and nongovernmental agencies via ERezeki platforms. Amongst are Teknologi (M) Sdn. Bhd., Multi Media Synergy Corporation Sdn. Bhd., HotBounty and many more. These are the local platforms where an online marketplace for small, medium enterprises to crowdsource their business activities across the web to generate quality leads through network of others, in return for rewards. Meanwhile, the collaboration with international platform includes from Australia i.e. Freelancer International Pty. Limited, Designhill.com, Upwork Global Inc. and many more. These platforms are helping our people and SMEs to connect more than 18 million employers and freelancers globally from over 247 countries and regions (ERezeki 2017).

Prior proceed to the detail of crowdsourcing benefits, it is better to understand how crowdsourcing system works. The crowdsourcing process started when the organization (Job providers) notify the projects or tasks in the platforms (Finnerty et al., 2013). Platform plays the role as a mediator or marketplace to enable the organization and to support the overall crowdsourcing process during the

interaction process between organization and crowdworkers. To submit the tasks in the platform, it is importance to specify the detail requirements and description of the tasks or projects in order to ensure the tasks conformance to requirement of the organization. An example, the detail of requirement and description of tasks such as task deadline, crowdworkers' skills and knowledge required to perform the tasks, job characteristics, rewards and any others pertinent information that need to spell out by the organization or crowdsourcers to the crowdworkers. Upon the Platform obtained the tasks from the organization (Job providers) then the invitations of the crowdworkers can be made via social media or crowdsourcing platform for them to participate in completing the tasks. Once the crowdworkers are interested to the job, the crowdworker may pull the tasks from the Platform (Arshad et al., 2014; Salimun et al., 2015). In return of tasks completion, the crowdworkers will receive the rewards as predetermined in the description of the tasks. The detail of how crowdsourcing model works in Malaysian can be referred in Figure 7.1.

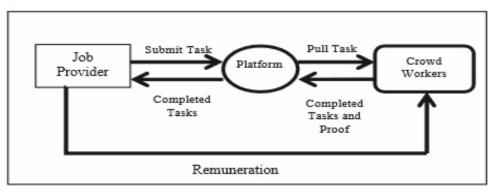


Figure 7.1
Malaysia Crowdsourcing Model
(Source: Arshad et al., 2014)

In similar vein, SMEs also may offer their products, services, expertise or even the tasks or projects from their business to other organization. SMEs could advertise or notify the business activities or services via social media or crowdsourcing platform to large organization to perform the tasks or projects. Hanefah et al. (2002) exerted that, the production process of SMEs are usually labor intensive and such firm usually serve as suppliers for the large manufacturing firms. Therefore, the crowdsourcing practice is relatively significant to the SMEs business setting rather than outsourcing to the defined consultants or professional bodies.

Reference to the previous literatures, numerous benefits can be obtained from the crowdsourcing practices. Among the benefits discusses in the literatures are cost saving, reduce delivery time (Ye & Kankanhalli, 2015), cater the problem of peak demand and generating new ideas for innovation (Marjanovic et al., 2012) and so on. Crowdsourcing remains interesting either to entrepreneurs or to public sectors because of its positive features such as an ability to bring innovative solutions to difficult problems in a short period of time at minimal costs and an ability to attract brightest minds to the solution process. Another strong side of crowdsourcing, it enables to perform simple tasks, which cannot be automated, at low cost or even for free in the short-term

(Surowiecki, 2004). An example, a real story on crowdsourcing practice used in marketing by L'Oreal Cosmetics Company. The study conducted by (Hempel, 2006) demonstrated that the said company was successfully reduced tremendous video commercial production costs from \$1,000 comparing to \$164,200 that the company usually paid. Consequently, these would reduce their marketing cost via utilizing various experts and talent from the crowds leads to huge crowdsourcing cost reduction and improve their operating cost. The findings also aligned in the Crowdsourcing Report, 2016 whereby it has proven that, the crowdsourcing project had cost saving efficiency up to 92% against average agency fees and production cost.

Nevertheless, reference to the context of SMEs there is still low the SMEs leveraging the crowdsourcing practices (Maiolini & Naggi, 2011) thus it is very important to expand the investigation and explore the "Unsung" business strategy i.e. referring to the crowdsourcing practices particularly in the context of Malaysian SMEs. Moreover, the emerging of ICT and Internet creates an opportunity in electronic commerce and global marketing that would be pertinent driver for SMEs striving to compete in new environments with stiff competitive pressure in a global market (Zakariah et al., 2014).

#### **METHODS**

This study employed qualitative method via conducting interview session. Three Malaysian SMEs leveraging the crowdsourcing practices were selected as the respondents in this study. The purposive random sampling was used with several inclusion criteria such as the SMEs are fulfilled the definition of Malaysia SME Corp based on the number of employees or annual sales turnover, the SMEs leveraged crowdsourcing in their organization and active SMEs.

Then, the expert's opinion obtained from the SME owner-managers or Chief Executive Officer (CEO) in order to validate and to have preliminary views from the companies who had leveraged crowdsourcing practices in their organization. The SME owner-managers or CEO of the company were selected due to these informants or entrepreneur act as "gatekeeper" to ensure the internal and external resources of organization to be utilized by the organization to success (Ahmad et al., 2010). Finally, content analysis approach was employed to analyze each expert opinion in order to align the findings from the literatures.

#### **RESULTS AND DISCUSSION**

Evidence from the above reviews, it was demonstrated that numerous crowdsourcing benefits can be utilized by the organizations. Amongst the studies conducted are investigating organizational task crowdsourcing (Ye & Kankanhalli, 2015); the effect of crowdvoting in hotels (Garrigos Simon et al., on 2017); crowdsourcing business models (Kohler et al., 2017); crowdsourcing business model for B40 income earners (Zakariah et al., 2016) and so on.

It is importance to highlight that, there are many problems faced by the SMEs in business such as somewhat lacking compared to others developed countries (Hooi & Ngui, 2014), unable to achieve high performance due to challenges faced in innovation and technology adoption, human capital development, access to financing, market access, legal and regulatory environment and infrastructure (World Bank Productivity and Investment). It also found that, the SMEs went bankrupt within 5 years of commencement of business and the failure rate is an estimated 60% (Ahmad & Seet, 2009) as well as vulnerable to local and global competition (Magasi, 2016).

In view of the above issues, serious attention need to be given to the SMEs in Malaysia due to this organizations are the essence of Malaysian commerce and known top perform better than general economy. It evidences from the Department of Statistic, Malaysia from the year 2004 to 2010 reported that the value added growth of SMEs has constantly outperform overall national growth at 6.8% annually (Abdul Halim, Ahmad & Ramayah, 2014). Furthermore, SMEs in Malaysia played a major contribution to the development of Malaysian economy due to the SMEs are accounted the majority of business entity in Malaysia. Reference to the SME Malaysia Annual Report year 2013, the SMEs accounted for 98.5% of total number of firms in Malaysia contributed at 32.73% of national GDP and 19% of Malaysia total export value. Thus, cannot be denied that, SMEs in Malaysia are important and become a backbone of the Malaysian economy. A continuous improvement should be focused by the SMEs business owners to ensure their business performance better from year to year by leveraging an effective and efficient business strategy. Apparently, the crowdsourcing practices would be seen as one of the effective business strategy in order to close the above gaps among the SMEs in Malaysia.

To materialize this study, a preliminary views on this practices and to validate the crowdsourcing benefits obtained from the past literatures, an interview session among three SMEs business owners were conducted. The findings and discussion are as below tables. Based on Table 7.1 to table 7.3, all respondents are female with the aged between 38 to 58 years old. Respondent A and B are running the same business sectors i.e. Food and Beverages (F&B) while Respondent C is the main products are Cosmetics, Household items. The sources of crowdworkers are community in persons and higher institution students. Among the crowdsourcing activities are packaging, marketing, production, logistics and some of the administration activities. The detail findings of each respondents are illustrates in Table 1 to Table 3 are as below.

**Table 7.1** Findings respondent A.

Respondent A				
Position	: CEO			
Gender	: Female			
Age	: 8 years			
Education	: Degree in International Business			
No of Employees	:15 employees and 5-10 crowdworkers (Community & IPT			
	Student's)			
Products	: Foods & Beverages, Crackers			

The CEO of the company stated that, crowdsourcing practice potray and allow visibility of their products brand to outsiders through the assistance of the crowdworkers. Interestingly, crowdsourcing is also effective method to help the company gain an opportunity to market the products at stores such as Giant and Tesco by using Agromas brand. The CEO agreed that, based on their experience leveraging crowdsourcing allows the organization to enhance the visibility of product brands to the crowds/customers at lower cost, fast product delivery, enhance business rapport with external crowds as well as increase their bussiness performance. It is because, the company has flexibility to determine reasonable requirements, descriptions and rewards of the projects and tasks within the company capability.

Furthermore CEO agreed that, engaging crowdsourcing assist their company to reduce the issue of marketing costs and increase their brand awareness of the products. In some circumstances, the crowdworkers from the community (senior aunty) are better than permenant employees whereby they are more experience and knowledgable about the products. The company used their specialized skill and knowledge to improve current products such as improve of product taste and product quality. For example the products of "bahulu and rempeyek" will be more crispy and improve the taste by adding "Y" ingredients. Hence, the suggestion and new ideas given by crowdworkers would improve their product, packaging, product shape, product colour and etc.

The CEO realized that, based on crowdworkers idea's contribute to improve packaging design and work proccess. Utilizing crowdworkers from the community, the company enable to solve many problems on product durability. For example the problems of two products that are easily defect. This problem can be resolved by crowdworker through formulating new ingrediants in order to enhance product durability. On top of that, the crowdworkers from IPT student's contribute to their company by improving administartion activities i.e. systematic filling, IT system, billing, account and record keeping that sometimes those activities can be made at their own location. Therefore, crowdsourcing allows the company to setle the problem of administrative activities such as filling, record keeping, preparing accounts for auditing and documentaion for certification purposes. In short, CEO agreed that crowdsourcing practices enable the company to resolve several problems on product durability and administartion activities from various inputs and ideas from the crowdworkers that eventually enhance their business performance.

**Table 7.2** Findings respondent B.

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Position : CEO
Gender : Female
Age : 58 years

Education : Degree in Education

No of Employees : 75 employees and > 100 crowdworkers (Community,

IPT/Secondary School Student's)

Products : Cookies, Biscuits, Restaurants and Homestay Crowdsourcing : Packaging, Production, Transportation, Marketing

Activities

Based on CEO of the company, she explained that, the product brand can be introduced to the market and facilitate their product visibibility among the customers. Utilizing crowdworkers help their company introduce the products to an external parties at different regions. Particullarly, the crowdworkers from the community in persons have recommend; introduce the products to their relatives, friends and become an agents to the company. Interestingly, the power of crowds 'word of mouth' and social media significantly promote their products in the community and minimise the issue of promotion activities that normally requires extra efforts and budget. The CEO stated that, via crowdsourcing practices the products brands can be visible and introduce to the crowds/customers at lower cost, fast information dessemination to the markets, increase business networking and increase market outreach as well as improve business performance.

CEO highlighted that, the crowdworker from the IPT student's contributes improving existing packaging design. Other crowdworkers also contribute to the product improvement in term of product taste, product colour and design. They are the persons so called an "expert" due to an experience in a specific matter. Moreover, some of the crowdworkers offers their suggestion and solution to improve production layout to be fully utilised. Due to their knowledge, skills and cretativity of crowdworkres thus, the production space can be layout and arranged systematically. Again, the crowdworkers in some circumstances, assist the company to source the suppliers whenever the current supplier unable to deliver the material mainly during festival seasons. In a nutshell, CEO strongly recommended that SMEs should embark the crowdsourcing practices in order to acess specialized skills and improve company daily operation activities. It is because, since the company facing several contraints i.e. lack of skilled manpower, lack of financial and inability to hire consultant or professional staffs due to expensive service charge, therefore by tapping from an "outbound" resources to "inbound" resources (crowdsourcing) enhance their business performance.

**Table 7.3** Findings respondent C.

Respondent C				
Position	: Owner/Operation Manager			
Gender	: Female			
Age	: 46 years			
Education	: Degree in Accounting			
No of Employees	: 65 employees and 10 to 15 crowdworkers (Community)			
Products	: Cosmetics and Household items			
Crowdsourcing	: Packaging, Production, Transportation, Inventory,			
Activities	Training			

The Owner explained that, hiring crowdworkers from the community facilitate the company to promote their product brands at surrounding areas via the "words of mouth". Instead of using tranditional 'word of mouth', the company also utilized the social media such as Company Website and Facebook to ensure the product visible to the crowds. The Owner mentioned that, via crowdsourcing practices, the company able to reduce marketing costs compared than multilevel marketing that they used before. By leveraging crowdsourcing practices, the Owner confirmed that the OEM customers of the company are increase due to an effectiveness of product awareness among them.

The Owner strongly agreed that, crowdsourcing practice helps the company reduce manpower costs leads to better business performance. Importantly, during peak demand many customers order mainly from the OEM customers. Therefore crowdsourcing is the best startegy to cater these problem particularly during peak demand. It is because the company cannot afford to hire additional staffs due to budget constraints. The best way as explained by Owner, crowdsource some busniess activities resolve the problem of manpower shortage. In short, crowdsourcing provides many benefits to the company and minimize the problem on lack of skilled manpower that crowdsourcing would be complement to the skills and knowledge of permenant staffs.

Interestingly, the crowdsourcing practice also assits the company to resolve the issue on product fake via packaging techniques. These inputs and ideas obtained from IPT crowdworker's. Crowdsourcing allows to enhance idea generation and innovation to the company via product improvement such as new material formulation and feedback received from the crowdworker. The issues of quality and waste can be reduced since the crowdworkers will be paid only for the good quality output. Overall, the Owner agreed that crowdsourcing practices allow the company to minimise the cost and resolve some problems on product fake, manpower shortage, productivity and so on. By having this, it would strengthen their business performance.

Based on the above findings collected from an interview sessions with SMEs business owners it was proven that, all SMEs strongly agreed that the crowdsourcing practices offers many benefits such as reduce operational cost,

gain various specialized skills, knowledge and experts from large pool of crowds, reduce time product delivery, generate idea and feedback for problem solution, brand visibility in a way that increasing the product and service awareness. Consequently, the above advantages and benefits that can be obtained via crowdsourcing could facilitate the SMEs to boost their business performance.

The findings also reveals that, even though the SMEs are facing with resource constraints such as lack of financial resources, low technical expertise and lack of management skills (Aker et al., 2012) but it is not an issues or obstacles to the company. By applying the concept of utilizing from "outbound" to "inbound" resources via leveraging "unsung" business strategy i.e. crowdsourcing practices would facilitate the company to sustain and survive in the business. This is because the crowds serves access to a wide range of competences, ideas and resources much more significant than the organization may find internally. Moreover, the size and diversity of crowds makes very attractive to perform any tasks or projects (Maiolini & Naggi, 2011). Consequently, it is worth and efficient to the SMEs obtaining an external resources to be their internal resources in order to achieve mission, vision and objective of the organization. In short, to have a better understanding on the advantages and benefits of crowdsourcing practices, it can be referred to Figure 7.2 below.

# **CROWDSOURCING BENEFITS** (FROM OUTBOUND TO INBOUND RESOURCES CONCEPT) ✓ Cost saving (Manpower, marketing, production cost and etc) ✓ Reduce delivery time. Cater problem of peak demand. Generate new ideas for innovation **BUSINESS STRATEGY** CROWDSOURCING PRACTICES **ENHANCE SMES PERFORMANCE** Visibility of brand/products. ✓ Enhance business rapport (Relationship) quality) CONSEQUENCES ✓ Reduce marketing issues and costs. Increase brand awareness. Obtain specialized skill/knowledge/experts. ✓ Divers solution. UNSUNG" Improving packaging design and work proccess. ✓ Introduce to market and facilitate their product visibibilty. ✓ Enhance business networking at different regions. ✓ Source of various suppliers. Complement internal staff skill's. Resolve manpower shortage. Reduce quality issues and waste.

**Figure 7.2** Crowdsourcing benefit

#### LIMITATION AND FUTURE STUDY

Since the current study is still at the initial stage, so that there are several limitations lies in the exploratory approach. First, limitation is lies on lack of empirical evidences due to this study is only employed qualitative method via interview. Second, the number of the respondents involves in the study are limited that lead to unable to generalize the findings of the study. The generalization of the finding is limited because involves only one sector in the sample and in only one country. Finally, the study only focusing on the analysis of benefits or strength aspects of the crowdsourcing and the weakness of the said practice was neglected.

Nevertheless, these limitations can be complemented in the future crowdsourcing studies by employing mix methods such as quantitative and qualitative approaches in order to have solid findings. On top of that, the study also can be conducted by focusing on other aspects such as limitation of crowdsourcing, crowdsourcing adoption, behavior of crowdsourcers and crowdsworkers, crowdsourcing tasks and rewards or legal aspects of hiring crowdworkers.

## CONCLUSION

It is concludes that, the crowdsourcing practice is one of new phenomenon or "Unsung" business strategy by exploiting collective wisdom from the undefined group of people with an open call concept (free to participate). This strategy is employed new outsourcing strategy from the "outbound" resources into "inbound" resources in order to improve business process and to enhance organization performance. A new concept of outsourcing strategy involves buying the tangible and intangible resources from the individual, group of peoples, freelancers or any undefined group of crowds that possessed collective intelligence or resources rather than hiring consultant or professional bodies to the company.

In addition, leveraging crowdsourcing allows the SMEs to obtain collective intelligence from the heterogeneous backgrounds, knowledge in diverse professional fields and expertise from the crowds at the efficient costs control. Based on the findings, numerous advantages or benefits can be obtained via crowdsourcing practices mainly in the context of SMEs in Malaysia. The benefits are cost reduction, fast delivery time, cater problem of peak demand, organizational innovation, brand visibility, access to specialize skills, solution diversity and so on. Again, evidence from the findings revealed that all SMEs business owners strongly agreed that crowdsourcing practices offers numerous benefits and advantages to the SMEs in order to boost their business performance.

The study contributes to both theoretical and practical contributions. The theoretical aspect of contributions, the study enable to enrich the body of knowledge and current literatures in the field of crowdsourcing research due to this phenomenon is still at nascent stage mainly among Malaysian SMEs. Furthermore, the study also can be a foundation for future research particularly in

the context of SMEs in Malaysia to further explore of any other aspects of crowdsourcing that would not be covered in the studies. Meanwhile, the practical contributions would give more information to the SMEs owner-managers in order to develop and strengthen current crowdsourcing practices in their organization. The study also could encourage other SMEs to adopt this new business strategy to minimize the issues of resource scarcity eventually to facilitate their business process. To the policy makers such as government, this could assist to prepare and enhance the effectiveness of crowdsourcing programs such as ERezeki and Eushawan. Last but not least, to an entrepreneurs the study enhance their knowledge and understanding towards crowdsourcing practices and its benefits that positively contributes to their business survival.

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